

## The Merchants Trust PLC

Key Information	
<b>Total Assets</b> <sup>†</sup>	£608.2m
<b>Gearing</b> <sup>††</sup> (net)	22.5%
<b>No. of Shares</b> <sup>†</sup> (Ordinary 1p)	102,813,464
<b>Net asset value</b> <sup>†</sup>	480.2p
<b>Net asset value (debt at Market Value)</b> <sup>†</sup>	456.7p
<b>Premium/-discount to NAV</b> <sup>†</sup>	-11.5%
<b>Premium/-discount to NAV (debt at Market Value)</b> <sup>†</sup>	-6.9%
<b>Share price</b> *	425p
<b>AIC Sector</b>	UK Income Growth
<b>RIC</b>	MRCH
<b>Year end</b>	31st January
<b>Reports and Accounts</b>	Final posted in April, Interim posted in September
<b>AGM</b>	May
<b>Dividends</b>	February, May, August and November
<b>Price Information</b>	Financial Times, The Daily Telegraph, www.allianzgi.co.uk
<b>Board of Directors</b>	Hugh Stevenson (Chairman), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, James Sassoon
<b>Investor services</b>	020 7065 1407
<b>Brochure request</b>	0800 317 537

† Source: Allianz Global Investors as at 31.01.08

Investment trusts are quoted companies listed on the London Stock Exchange. Their share price is determined by factors including demand, or lack of, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. In line with current industry best practice NAVs are shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount.

†† Source: Allianz Global Investors as at 31.01.08.

Please also refer to Trust aim & characteristics, above right.

\* Source: Lipper as at 31.01.08

### Trust aim & characteristics

The Trust's objective is to provide an above average level of income and income growth together with long term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

†† Merchants seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss.

### Fund Manager's review

During the month the US Federal Reserve cut interest rates aggressively twice in response to the weakening economic outlook, whilst the stock market fell heavily despite a rally after these cuts. However against this background the portfolio outperformed in January driven by positions including Rexam and Compass.

Looking ahead markets are likely to remain volatile and will respond to economic news, fiscal and monetary policy responses and developments in credit markets. The US economy may experience a recession in 2008 and although the UK looks somewhat stronger, it is dependent upon the banking system functioning properly. We believe that volatile conditions may provide selective investment opportunities if long term valuations of businesses are temporarily mis-priced.

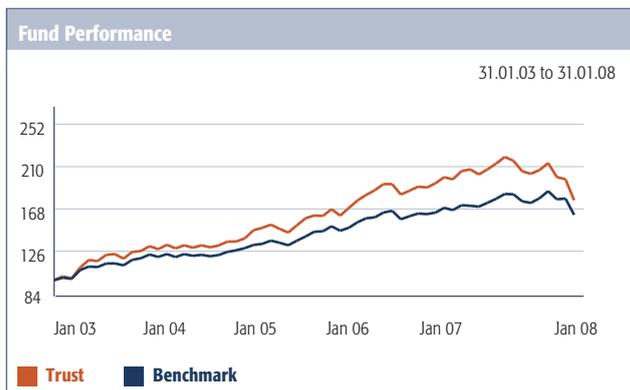


Simon Gergel

### Top 10 holdings

Name	%
GlaxoSmithKline	8.0
Vodafone Group	7.8
BP Ord	7.6
Royal Dutch Shell	7.4
HSBC	7.0
HBOS	3.9
Royal Bank Of Scotland	3.3
Aviva	3.2
Anglo American	3.0
Scottish & Southern Energy	2.9
<b>Total</b>	<b>54.1</b>

Source: Allianz Global Investors as at 31.01.08.

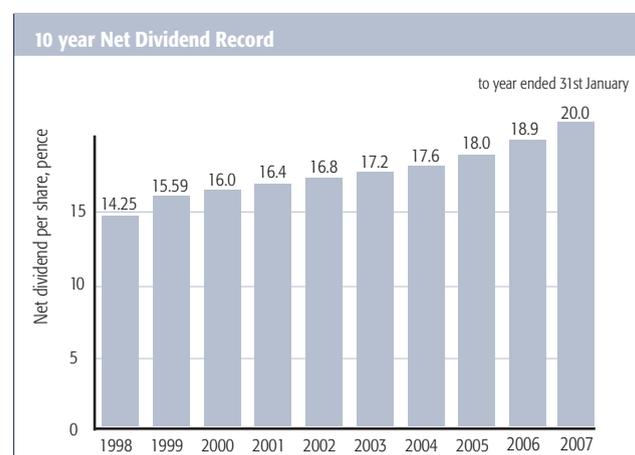


Source: Allianz Global Investors/ Mellon. 31st January 2003 to 31st January 2008. Capital only, calculation indexed. UK Sterling.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested. This investment trust charges 65% of its annual management fee to the capital account and 35% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Standardised Past Performance					
From	31/12/2002	31/12/2003	31/12/2004	30/12/2005	29/12/2006
to	31/12/2003	31/12/2004	30/12/2005	29/12/2006	31/12/2007
<b>Share Price</b>	<b>18.9%</b>	<b>20.2%</b>	<b>22.1%</b>	<b>24.3%</b>	<b>-5.8%</b>

Source: Allianz Global Investors/Lipper Hindsight. Discrete years, mid to mid, basic rate tax, based in UK sterling. Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.



Source: Allianz Global Investors

## History

The Trust was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it principally invested in the fixed interest securities of railway companies in the USA, Canada and South America, with the remainder held in Government securities and companies such as Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.

On 30th June 2006 a further 1,655,941 Ordinary shares were issued following the reconstruction and planned winding up of Allianz Dresdner Income Growth Investment Trust plc. The increase in assets was achieved at no cost to existing shareholders.

**Launch Date:** 1889 **Wind-up Date:** None

## Share buybacks

1,171,413 shares have been repurchased for cancellation to date.